

**CASCADE UTILITIES INC. and SUBSIDIARY**

**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2014 and 2013

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**Note 9 - Income Taxes, continued**

Income tax (benefit) expense consists of the following as of December 31:

Operating:

Deferred  
Current expense  
Prior year underaccrual  
Total Operating

Nonoperating:

Deferred  
Current expense  
Prior year underaccrual  
Total Nonoperating

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**Note 10 - Related Party Transactions**

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**CASCADE UTILITIES INC. and SUBSIDIARY**

**Notes to the Consolidated Financial Statements**

**Years Ended December 31, 2014 and 2013**

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**Note 10 - Related Party Transactions, continued**

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**SUPPLEMENTAL INFORMATION**

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"CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, 14-58, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

**CASCADE UTILITIES, INC. and SUBSIDIARY****Consolidating Balance Sheets**

December 31, 2014

	Cascade Utilities, Inc.	Rio Virgin Telephone Company	Eliminations	Consolidated
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$			
Marketable securities				
Accounts receivable				
Accounts receivable, related parties				
Interest and dividends receivable				
Materials and supplies				
Income taxes receivable				
Prepaid expenses				
Total Current Assets				
Other Assets and Investments:				
Notes receivable				
Notes receivable, related parties				
Other assets				
Prepaid pension cost				
Marketable securities				
Investments				
Investments, affiliate				
Goodwill				
Total Other Assets and Investments				
Property, Plant, and Equipment:				
Telecommunications				
Under construction				
Less accumulated depreciation				
Telecommunications, net				
Cable television property, net				
Nonregulated property, net				
Property, Plant, and Equipment, net				
	\$			

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	Cascade Utilities, Inc.	Rio Virgin Telephone Company	Eliminations	Consolidated
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities:</b>				
Current portion of long-term debt	\$			
Accounts payable				
Accrued expenses				
Customer deposits				
Advance billings				
Deferred income tax				
Total Current Liabilities				
<b>Long-Term Liabilities:</b>				
Long-term debt				
Deferred income tax				
Total Long-Term Liabilities				
Total Liabilities				
<b>Stockholders' Equity:</b>				
Common stock				
Retained earnings				
Accumulated other comprehensive income				
Stockholders' Equity	\$			

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**CASCADE UTILITIES, INC. and SUBSIDIARY****Consolidating Statements of Income**

Year Ended December 31, 2014

Schedule II

	Cascade Utilities, Inc.	Rio Virgin Telephone Company	Eliminations	Consolidated
Operating Revenues:				
Local network services				
Network access services				
Miscellaneous operating				
Uncollectible revenues				
Total Operating Revenues				
Operating Expenses:				
Plant specific				
Plant nonspecific				
Customer				
Corporate				
Depreciation and amortization				
Total Operating Expenses				
Operating Taxes:				
Operating income taxes				
Other operating taxes				
Total Operating Expense and Taxes				
Operating Income				
Other Income (Expense):				
Non-operating income and expen:				
Interest expense				
Nonregulated operations, net				
Cable television, net				
Nonregulated income taxes				
Non-operating income taxes				
Income from subsidiary				
Total Other Income				
Net Income				

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**CASCADE UTILITIES, INC. and SUBSIDIARY****Consolidating Statements of Cash Flows**

Year Ended December 31, 2014

Schedule III

	<u>Cascade Utilities, Inc</u>	<u>Rio Virgin Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Cash Flows from Operating Activities:</b>				
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:				
Regulated depreciation and amortiza				
Nonregulated depreciation				
Income from equity method investme				
Income from subsidiary				
Change in deferred income tax				
Amortization of bond premium				
Realized (gain) loss on sale of marke securities				
Accrued pension benefit				
Changes in assets and liabilities:				
Accounts receivable				
Accounts receivable, related partic				
Interest and dividends receivable				
Materials and supplies				
Income taxes receivable and paya				
Prepaid expenses				
Accounts payable				
Accrued expenses				
Customer deposits				
Advance billings				
Net Cash Provided (Used) by Operating Activities				
<b>Cash Flows from Investing Activities:</b>				
Capital expenditures				
Purchase of investments and marketable securities				
Proceeds from investments and marketable securities				
Proceeds from notes receivable				
Proceeds from notes receivable, related				
Issuances of notes receivable				
Issuances of notes receivable, related p				
Distributions received from investments				
Change in other assets				
Net Cash Provided (Used) by Investing Activities				

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**CASCADE UTILITIES, INC. and SUBSIDIARY****Consolidating Statement of Cash Flows, continued**

Year Ended December 31, 2014

Schedule III, continued

	<u>Cascade Utilities, Inc.</u>	<u>Rio Virgin Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash Flows from Financing Activities:				
Proceeds from long-term debt				
Payments on long-term debt				
Proceeds from ARRA BIP grant				
Dividends paid				
Net Cash Provided (Used) by Financing Activities				
Net Change in Cash and Cash Equivalents				
Cash and cash Equivalents, beginning				
Cash and Cash Equivalents, ending				
Cash Paid During the Year for Taxes				
Cash Paid During the Year for Interest				
Noncash Activities:				
Additions to property, plant and equipment included in accounts payable				

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USDA-RUS		BORROWER DESIGNATION
FINANCIAL AND STATISTICAL REPORT FOR BROADBAND BORROWERS		OR1108
		PERIOD ENDING December, 2014
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		
ITEM		YEAR-TO-DATE
1. Local Network Services Revenues		
a. Voice		
b. Video		
c. Internet		
i. Broadband		
ii. Other		
2. Network Access Services and Long Distance Revenues		
3. Miscellaneous Revenues		
4. Other Operating Income		
5. Uncollectible Revenues		
6. Net Operating Revenues (11 thru 4 less 5)		
7. Plant Specific Operations Expense		
8. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
9. Customer Operations Expense		
10. Corporate Operations Expense		
11. Other Operating Expenses		
12. Total Operating Expenses (7 thru 11)		
13. Operating Income or Margins (6 less 12)		
14. Nonoperating/Nonregulated Net Income		
15. EBIDTA (13 + 14)		
16. Depreciation Expense		
17. Amortization Expense		
18. EBIT (15 - 16 - 17)		
19. Interest on Funded Debt		
20. Other Interest Expense		
21. Taxes		
a. Property		
b. Income		
22. Total Net Income or Margins (18-19-20-21)		
23 Dividends Declared (Common)		
24 Dividends Paid		
25 Transfers to Patronage Capital		
26 Principal Payments on Long Term Debt and Capital Leases		
27 TIER (19 + 20 + 22) / (19 + 20)		

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USDA-RUS						BORROWER DESIGNATION	
FINANCIAL AND STATISTICAL REPORT FOR BROADBAND BORROWERS						OR1108	
						PERIOD ENDING	
						December, 2014	
PART C. SERVICES							
		1. RATES		2. SUBSCRIBERS			
		Residential	Business	Residential	Business	Total	
No.	SERVICE OFFERINGS	(a)	(b)	(a)	(b)	(c)	
	Broadband Data Packages						
1				1		1	
	Double Play - Video/Broadband Data						
2	9m/1m	49.95	49.95	318	14	332	
	Double Play - Voice/Broadband Data						
3	3m/1m	42.95	42.95	123	7	130	
4	6m/1m	42.95	42.95	2607	204	2811	
5	5m/512k						
6	12M/1M	56.95	56.95	599	44	643	
7	20m/10m	76.95	76.95	6	1	7	
8	512k/512k	27.95	27.95	467	18	485	
9	3m/1m	37.95	37.95	201	2	203	
10	15m/3m	66.95	66.95	9	2	11	
11	9m/1m	56.95	56.95	68	8	76	
12	6m/1m	49.95	49.95	42	1	43	
13	10m/512k						
14	12m/1m	95.00	95.00	5	0	5	
15	60m/30m	96.95	96.95	6	5	11	
16	60M/30M						
17	40M/20M	86.95	86.95	6	1	7	

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USDA-RUS  <b>FINANCIAL AND STATISTICAL REPORT FOR BROADBAND BORROWERS</b>				BORROWER DESIGNATION OR1108	
				PERIOD ENDING December, 2014	
<b>PART C. COMMUNITIES</b>					
No.	Community	County	State	No. Broadband Data Customers	Broadband Application
1	Haines city	Baker	OR	249	
2	Estacada city	Clackamas	OR	3,266	
3	Other Area	Multnomah	OR	826	
4	Elkton city	Douglas	OR	425	

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USDA-RUS  <b>FINANCIAL AND STATISTICAL REPORT FOR BROADBAND BORROWERS</b>	BORROWER DESIGNATION OR1108 PERIOD ENDING December, 2014
<b>PART D. STATEMENT OF CASH FLOWS</b>	
1.  <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b> 2. Net Income <i>Adjustments to Reconcile Net Income to Net Cash Provided by Operat</i> 3. Add: Depreciation 4. Add: Amortization 5. Other (Explain)  <i>Changes in Operating Assets and Liabilities:</i> 6. Decrease/(Increase) in Accounts Receivable 7. Decrease/(Increase) in Materials and Inventory 8. Decrease/(Increase) in Other Current Assets 9. Increase/(Decrease) in Accounts Payable 10. Increase/(Decrease) in Other Current Liabilities  11.  <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b> 12. Decrease/(Increase) in Notes Receivable 13. Increase/(Decrease) in Notes Payable 14. Plus/(Less) Net Increase/(Decrease) in Long Term Debt (includ 15. Plus: Increase/(Less: Decrease) in Capital Stock, Paid-in Capit 16. Less: Payment of Dividends 17. Other (Explain)  18.  <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b> 19. Net Capital Expenditures 20. Long-Term Investments 21. Other (Explain)  22.  23.  24.	Redacted for Public View

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USDA-RUS  <b>FINANCIAL AND STATISTICAL REPORT FOR BROADBAND BORROWERS</b>	BORROWER DESIGNATION	
	OR1108	
	PERIOD ENDING  December, 2014	
PART E. BIP PERFORMANCE MEASURES		
	New Broadband Service	Improved Broadband Service
1. Number of households subscribing to	41	652
2. Number of businesses subscribing to	5	1
3. Number of educational providers receiving	0	2
4. Number of libraries receiving	0	1
5. Number of health care providers receiving	0	1
6. Number of public safety providers receiving	0	0

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<p>USDA-RUS</p> <p><b>FINANCIAL AND STATISTICAL REPORT FOR BROADBAND BORROWERS</b></p>	<p>BORROWER DESIGNATION OR1108</p> <hr/> <p>PERIOD ENDING December, 2014</p>
<p>Notes to Operating Report - Broadband</p>	

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